

Message Text

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ACTION EA-09

INFO OCT-01 IO-11 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

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NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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P R 020725Z MAR 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 2612

INFO USDEL MTN GENEVA

C O N F I D E N T I A L MANILA 2977

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: BILATERAL ECONOMIC NEGOTIATIONS

REF: STATE 048441

1. E/C COUNSELOR INFORMED VEGA OF CONTENTS REFTEL MORNING
MARCH 2. VEGA SEEMED PLEASED (AND WE THINK SURPRISED) BY
INCLUSION OF HARDWOOD PRODUCTS AND COCNUT OIL IN OFFER
LIST. VEGA HAD FOLLOWING QUESTIONS:

A. WHAT PRODUCTS ARE SPECIFICALLY INCLUDED IN OFFER LIST?
WHAT ARE TSUS NUMBERS AND VOLUME OF U.S. IMPORTS, BOTH
PHILIPPINE AND GLOBAL, OF EACH?

B. DOES USG CONTEMPLATE CUTS DOWN TO ZERO OR ONLY TO 60
PERCENT OF CURRENT TARIFF?

C. IN CONTEXT OF BILATERAL, CAN PHILIPPINES EXPECT FURTHER
CUTS BEYOND ANY REDUCTIONS WHICH ARE NOT DOWN TO ZERO ON U.S. OFFER
LIST?

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D. WITH RESPECT TO INVESTMENTS, SOME OF WHAT WAS DISCUSSED IN JULY 1974 HAS BEEN OVERTAKEN BY EVENTS; COULD USG BE MORE SPECIFIC ABOUT WHAT IT IS INTERESTED IN?

E. IN THE JULY 1974 NEGOTIATIONS, THE PHILIPPINES MADE CERTAIN PROPOSALS WHICH WERE NOT ACCEPTED BY THE U.S. SIDE; IS USG NOW IN POSITION TO MAKE COUNTER-PROPOSALS? IF SO WHAT ARE THEY?

2. VEGA SAID GOP WOULD PROPOSE RESUMPTION OF DISCUSSIONS IN WASHINGTON AT "TECHNICAL LEVEL" ON MARCH 23. E/C COUNSELOR COMMENTED THAT THIS TIMING APPEARED TIGHT, BUT THAT HE WOULD RELAY MESSAGE. VEGA NOTED THAT GOP IS THINKING IN DIRECTION OF NAMING HIM AS DELEGATION CHAIRMAN AND THAT IF SO, HIS HOPE WOULD BE TO MOVE AHEAD RAPIDLY AND ACHIEVE AGREEMENT. HE SAID HE CONTEMPLATED THREE POINT AGENDA: (A) TRADE AGREEMENT COVERING BILATERAL ECONOMIC RELATIONS; (B) INVESTMENT AGREEMENT; AND (C) AGREEMENT ON OTHER ECONOMIC MATTERS. ASKED WHAT POINT THREE WOULD COVER, VEGA WAS VAGUE, NOTING ONLY THAT IT WOULD NOT INCLUDE TAX MATTERS, WHICH WOULD BE NEGOTIATED BY ANOTHER TEAM.

3. WITH RESPECT TO INVESTMENT AGREEMENT, E/C COUNSELOR SAID IT SEEMED TO HIM THAT DIFFERENCES MIGHT BE ONLY SEMANTIC. HOWEVER, IF DIFFERENCES WERE MORE DEEP-SEATED, IT WOULD BE WELL TO CLARIFY THIS NOW. VEGA FIRST AGREED THAT DIFFERENCES WERE SEMANTIC BUT THEN WENT ON TO SAY THAT GOP IS INTERESTED IN GRANTING SPECIAL TREATMENT FOR NEW INVESTMENTS ON A CASE BY CASE BASIS AND THAT A BLANKET AGREEMENT WOULD GIVE GOP TROUBLE. E/C COUNSELOR SAID HE THOUGHT EXISTING U.S. BUSINESSES WOULD BELIEVE THEY SHOULD ALSO BE COVERED AND WENT TO REVIEW DEVELOPMENTS WHICH HAVE CAUSED UNHAPPINESS IN U.S. BUSINESS COMMUNITY. VEGA SAID HE DID NOT THINK U.S. BUSINESSES IN MANILA HAD ANY GROUNDS FOR COMPLAINT, AND BESIDES "THEY HAVE ALREADY MADE A LOT OF MONEY".

4. COMMENT: WE WOULD APPRECIATE RESPONSE TO VEGA'S
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PROPOSAL REGARDING MARCH 23 DATE FOR START OF TALKS AS WELL AS REPLY TO AS MANY OF VEGA'S QUESTIONS AS WASHINGTON BELIEVES EXPEDIENT. MUCH OF WHAT HE ASKED WOULD PRESUMABLY ARISE IN COURSE OF NEGOTIATIONS, WHICH WE THINK VEGA KNOWS, BUT HE IS PURSUING SAME LINE HE TOOK EARLIER OF TRYING TO GET AS MUCH OF U.S. POSITION ON TABLE AS POSSIBLE BEFORE TALKS BEGIN. IN CONTRAST TO WARINESS EARLIER DISPLAYED BY BOTH VEGA AND VIRATA,

(MANILA 2242) IT APPEARED TO E/C COUNSELOR THAT
VEGA'S ATTITUDE INDICATED THAT GOP NOW READY TO MOVE AHEAD
PROMPTLY WITH BILATERAL ECONOMIC TALKS.
SULLIVAN

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